Performance Based Costing In the Department of the Navy Security Assistance Program

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WHAT WE DO

Navy IPO Develops and Implements DON International Policy and Manages International Efforts in Research, Development and Acquisition for DON IAW SECNAV Instruction 5430.10 of 23 Dec 92.

Security Assistance

- Foreign Military Sales
- Excess Defense Article (EDA) Transfers
- International Training
- Presidential Drawdowns
- Direct Commercial Sales

Technology Security

- Disclosure Policy/Oversight (TTSARBs)
- Export Licensing

Cooperative Programs

- International Agreements (MOUs)
- Foreign Comparative Testing (FCT)
- Data and Personnel Exchange (DEAs/ESEP)

Customer

DON
Foreign Countries

Stakeholders

Warfighting CDRs
OSD
Secretariat
OPNAV
State Dept.
Industry
PEOs/SYSCOMs
Commerce Dept.

Who We Are

Pacific Fleet

U.S. Marine Corps

US Coast Guard

Naval Air Systems

Atlantic Fleet

NAVY IPO

Naval Sea Systems

Naval Education and

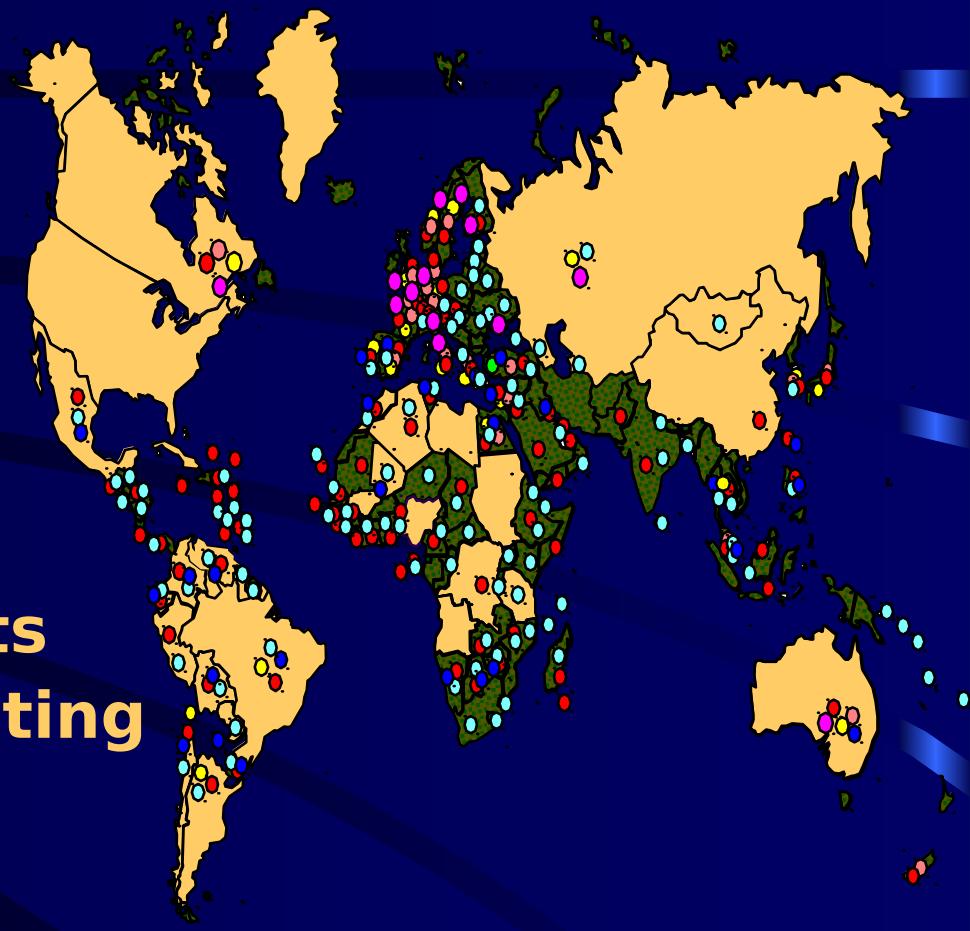
Bureau of Personnel

Naval Inventory Control Point

Space and Naval Warfare Systems

Our Tools & Our "Market"

- Foreign Military Sales
- Excess Defense Articles
- Security Assistance
- International Training
- Cooperative Programs (MoU)
- International Agreements
- Foreign Comparative Testing
- Data Exchange Agreements



WHAT IS PBC?

PBC = ABC data in Performance Based Budget Process

- Links budgets to corporate strategy, planning, and performance measures for justification purposes
- Provides a basis for determining and allocating the annual budgets.
- Mechanism for developing DOD-wide corporate performance plans and Navy IPO level operational performance plans over multiple years.
- Responds to and addresses inquiries and concerns from

WHY DO PBC

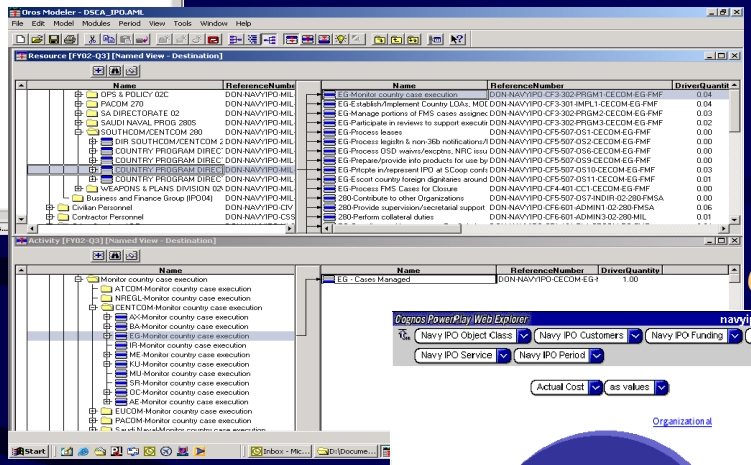
- **Key DoD initiative with OMB interest**
- **Link resources provided to cost and performance measures of activities**
- **Identify actual costs to ensure reimbursement costs are correct**
- **Unify cost-based accounting with performance based budgeting**

Navy IPO FMS PBC Model(s)

Collect

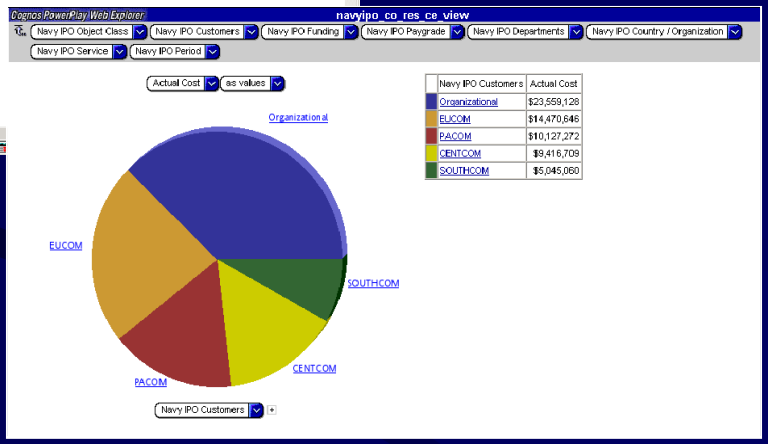
Personnel enter time spent on defined activities into Periodic Activity Survey System (PASS) biweekly – elec ic version of the Ac tionary

Crunch



The PASS Data is exported into OROS which calculates the costs quarterly, based on drivers

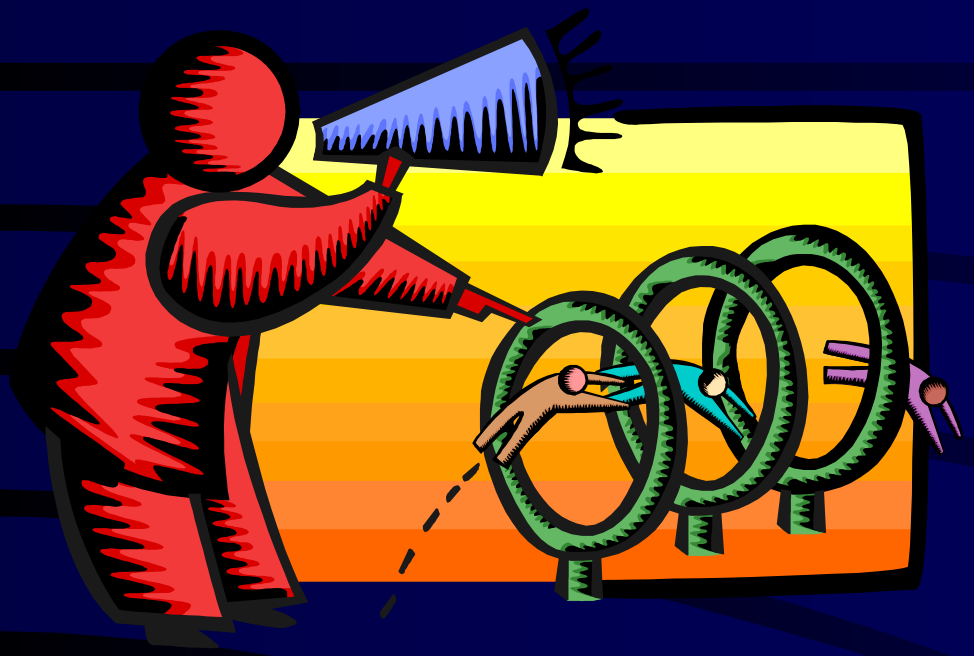
Convince



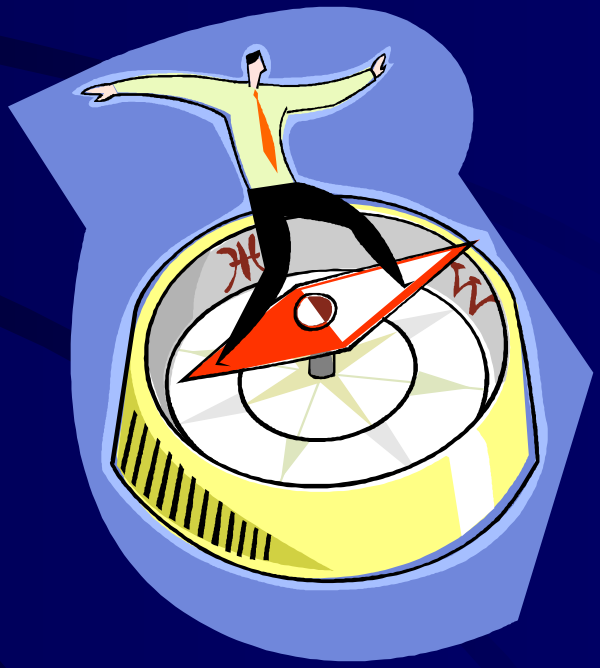
COGNOS Power Play - web-based application that mines the OROS data and presents information

Reports must “roll up” to higher level reports and be flexible for local management use

Change Dilemma



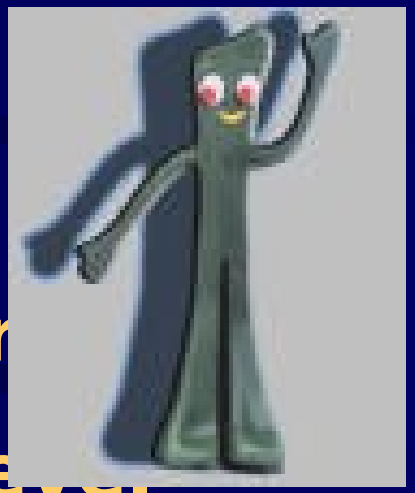
Running the Business…



…while we're changing the Business!

PBC Lessons Learned

- **Be flexible**
- **Communicate the “why”**
- **Involve Top Floor to Shop Floor**
  - **High-level advocacy & mid-level embrace**
  - **USE the data & info to make decisions**
- **Include all your resources**
- **Leverage your existing data – in auto**
- **Measure the success of the project**



Elements of Success

- **Educate and Communicate**
- **Train**
- **Sustain**
- **Measure – Improve**

Educate

- **Manage the expectation**
- **All need the basics – not just the comptrollers!**
- **“WHY” is more important than how**
- **“Special” situations**
  - **Unions**
  - **Proprietary resource data**
- **Show how the input affects the output**
  - **Formal resource review meetings are good venue**

Communicate

Navy International Programs Office - Microsoft Internet Explorer provided by Navy Marine Corps Intranet

File Edit View Favorites Tools Help

Back Search Favorites History

Address https://www.nipo.navy.mil/PBC_Main.cfm Go Links Add CEO Links

Navy International Programs Office

This is an official U.S. Navy Web Site

- Home
- Mission
- Organization
- FAQ
- ADP Tools
- Command Information
- Visitor Information
- Links
- Library
- Job Opportunities
- Performance Based Costing
- NIID
- New Items
- Site Map

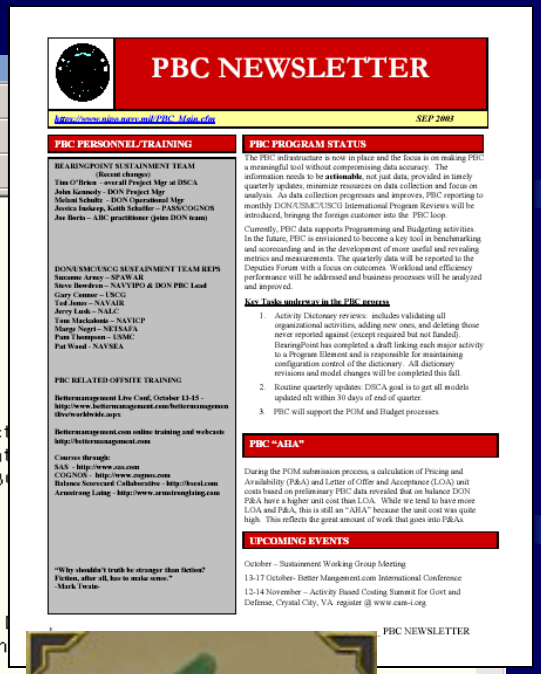
Performance Based Costing (PBC) "Central"

The Navy International Programs Office is leading an activity based costing project within Foreign Military Sales Administrative Funded organizations in the Department the Navy and U.S. Coast Guard. This effort, called Performance Based Costing (PB supports the Defense Security Cooperation Agency (DSCA) implementation of a Performance Based Budgeting System. This system will show the cost of our core business functions to better justify our FMS Admin budget inputs and lead us to a better understanding of our costs in support of the Security Assistance program.

This site will serve as a clearinghouse for information on the PBC effort within the as well as a resource for learning more about Activity Based Costing and Managem

- Performance Based Costing Event Calendar
- ABC Conference and Training Opportunity
- Monthly Newsletters
- PBC Training Plan
- PBC Configuration Control Board Charter
- PBC ESC Minuutes (Sept 19, 2002)
- Frequently Asked Questions (FAQ)
- Activity Based Costing Library

Start Inbox - Mic... las vegasv... FW: Stude... RE: Studen... Navy Inte... 11:58 AM



PBC NEWSLETTER

https://www.nipo.navy.mil/PBC_Main.cfm SEP 2003

PBC PERSONNEL/TRAINING

BEARINGPOINT SUSTAINMENT TEAM (Recent changes)
Tim O'Brien – overall Project Mgr at DSCA
John Kennedy – DON Project Mgr
Meloni Schultz – DON Operational Mgr
Jessica Inskeep, Keith Scheffler – PASS/COGNOS
Joe Berio – ABC practitioner (joins DON team)

DON/USMC/USCG SUSTAINMENT TEAM REPS
Suzanne Arney – SPAWAR
Steve Bowdren – NAVYHPO & DON PBC Lead
Gary Connor – USCG
Ted Jones – NAVAIR
Jerry Lusk – NALC
Tom Mackintosh – NAVICP
Margo Negri – NETSAFA
Pam Thompson – USMC
Pat Wood – NAVSEA

PBC RELATED OFFSITE TRAINING

Betternanagement Live Conf, October 13-15 - http://www.betternanagement.com/betternanagement/live/worldwide.aspx

Betternanagement.com online training and webcasts http://betternanagement.com

Courses through:
SAS – http://www.sas.com
COGNOS – http://www.cognos.com
Reliance Scorecard Collaborative – http://loesi.com
Armstrong Laing – http://www.armstronglaing.com

"Why shouldn't truth be stranger than fiction? Fiction, after all, has to make sense."
-Mark Twain-

PBC PROGRAM STATUS

The PBC infrastructure is now in place and the focus is on making PBC a meaningful tool without compromising data accuracy. The information needs to be **actionable**, not just data, provided in timely quarterly updates, minimize resources on data collection and focus on analysis. As data collection progresses and improves, PBC reporting to monthly DON/USMC/USCG International Program Reviews will be introduced, bringing the foreign customer into the PBC loop.

Currently, PBC data supports Programming and Budgeting activities. In the future, PBC is envisioned to become a key tool in benchmarking and scorecarding and in the development of more useful and revealing metrics and measurements. The quarterly data will be reported to the Deputies Forum with a focus on outcomes. Workload and efficiency performance will be addressed and business processes will be analyzed and improved.

Key Tasks underway in the PBC process

1. Activity Dictionary reviews: includes validating all organizational activities, adding new ones, and deleting those never reported against (except required but not funded) BearingPoint has completed a draft linking each major activity to a Program Element and is responsible for maintaining configuration control of the dictionary. All dictionary revisions and model changes will be completed this fall.
2. Routine quarterly updates: DSCA goal is to get all models updated nlt within 30 days of end of quarter.
3. PBC will support the POM and Budget processes.

PBC "AHA"

During the POM submission process, a calculation of Pricing and Availability (P&A) and Letter of Offer and Acceptance (LOA) unit costs based on preliminary PBC data revealed that on balance DON P&A have a higher unit cost than LOA. While we tend to have more LOA and P&A, this is still an "AHA" because the unit cost was quite high. This reflects the great amount of work that goes into P&As.

UPCOMING EVENTS

October – Sustainment Working Group Meeting
13-17 October- Better Mangement.com International Conference
12-14 November – Activity Based Costing Summit for Govt and Defense, Crystal City, VA register @ www.cam-i.org

PBC NEWSLETTER

Train

- **Different Training for different levels**
  - **“All hands” training and “intro to ABC”**

- **Identify “Super Users” for advanced training**
  - **Know how the “model” work**
  - **Help with analysis**

- **Train at your site to ensure system works on your employees computer**

Sustain

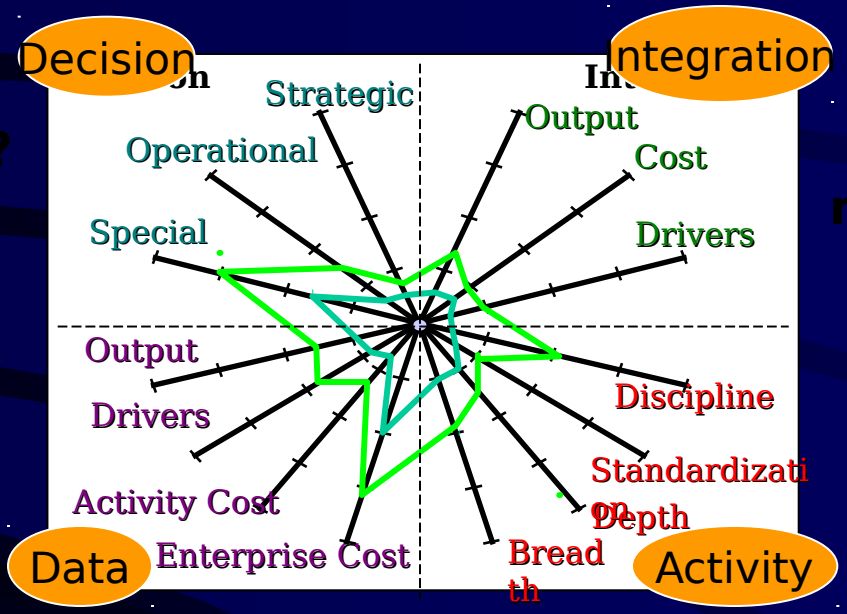
- How do you keep models flexible but useful
  - Needs and interest change over time
  - Roll up and drill down functionalit
    sometimes are not compatible
  - Report templates
- Minimize costs in refreshing the mo
  - Gov’t – KTR team essential
  - Web-based tools to collect, collate and update
  - Data-mine legacy systems activity driver information

Four Measures to Assess PBC

How do we know if we've done it right?

Is PBC used to make decisions?

Are all activities known, costed and drivers identified?



Extent of automating data collection and model maintenance

Are all key activities defined to sufficient detail and standardized in the organization?

Ref: Department of the Navy Strategy for Activity Based Management 18 Feb 2000

PBC Benefits

- **Improved Resource Allocation**
  - Align tasks to the correct funding source
  - Give all customers a consistent level of service – some get extra and what is the cost?

- **Identify opportunities to improve business processes**
  - High cost/low return tasks ripe for automation
  - Compare organizations performing similar tasks – identify “center of excellence” and consolidate efforts or export efficiencies

- **Improved ability to**
  - Prepare and defend budget submissions
  - Assess impact of new policies and assist allocation decisions
  - Better requirements definition in work requests and job orders

- **Enhanced capability to price services to Foreign customers**

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